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GLOBAL ECONOMIC GROWTH: HOW MUCH, HOW SOON?

ANNCR:

REPRESENTATIVES OF THE INDUSTRIAL COUNTRIES MET IN PARIS THE OTHER DAY TO DISCUSS WHAT, IF ANY, NEW MEASURES THEY SHOULD TAKE TO STIMULATE WORLD ECONOMIC GROWTH. THE RESULTS WERE INCONCLUSIVE AS WE HEAR IN THIS BACKGROUND REPORT FROM VOA'S VERA HIRSCHBERG.

VOICE:

WITH THE ECONOMIC SUMMIT IN BONN A LITTLE MORE THAN A MONTH AWAY, IT IS STILL UNCLEAR WHETHER THE LEADING INDUSTRIAL COUNTRIES WILL ENDORSE NEW MEASURES TO STIMULATE WORLD ECONOMIC GROWTH. THIS WAS THE CONCLUSION OF ECONOMIC OBSERVERS FOLLOWING A MEETING EARLIER THIS MONTH OF THE ECONOMIC POLICY MEETING OF THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT IN PARIS. THE OECD'S SECRETARIAT HAD WARNED THAT IF ITS 24-MEMBER NATIONS DO NOT TAKE NEW STIMULATIVE MEASURES, ECONOMIC GROWTH THIS YEAR WILL LAG AS MUCH AS A POINT BELOW THE PROJECTED FOUR PER CENT. LACK OF ECONOMIC STIMULATION COULD MEAN HIGHER UNEMPLOYMENT AND HIGHER INFLATION IN THE INDUSTRIAL COUNTRIES, THE SECRETARIAT WARNED, AND COULD LEAD TO A NEW GLOBAL RECESSION.

THE FEAR THAT ECONOMIC STIMULATION WILL FEED INFLATION AND TRIGGER PROTECTIONISM HAS LED SUCH NATIONS AS WEST GERMANY AND JAPAN TO REJECT ECONOMIC STIMULATION. INFLATION IS ALSO A FACTOR IN THE UNITED STATES, WHERE IT IS NOW IN THE DOUBLE-DIGIT (ABOVE 10 PERCENT) RANGE. ECONOMIC OBSERVERS BELIEVE THAT'S ONE OF THE REASONS WASHINGTON HAS BEEN COOL TO THE OECD'S SO-CALLED "CONVOY" PLAN FOR WORLD RECOVERY. THE OECD PROPOSED THIS APPROACH EARLIER THIS YEAR TO REPLACE THE SO-CALLED "LOCOMOTIVE THEORY," UNDER

WHICH THE THREE STRONGEST DEMOCRATIC INDUSTRIAL NATIONS -- THE UNITED STATES, WEST GERMANY AND JAPAN -- WOULD STIMULATE THEIR ECONOMIES TO PULL THE WORLD INTO A NEW ERA OF ECONOMIC GROWTH. THE CONVOY APPROACH, ON THE OTHER HAND, WOULD CALL FOR CONCERTED ACTION NOT ONLY AMONG THE BIG THREE, BUT ALSO AMONG SO-CALLED "CONVALESCENT COUNTRIES," SUCH AS BRITAIN AND ITALY TO WORK TOGETHER TO BENEFIT ALL OF THE INDUSTRIAL WORLD.

WHILE UNITED STATES ECONOMIC POLICY-MAKERS HAVE FORMALLY REJECTED THE "LOCOMOTIVE THEORY" BECAUSE THEY SAY GLOBAL ECONOMIC PROSPECTS ARE GOOD, THEY HAVE, NOT ENDORSED THE CONVOY APPROACH. PRESIDENT CARTER'S CHIEF ECONOMIC ADVISER, CHARLES SCHULTZE REPORTEDLY TOLD THE OECD MEETING THAT RISING INFLATION AND THE HUGE UNITED STATES TRADE DEFICIT WOULD RULE OUT PROSPECTS FOR FURTHER ECONOMIC STIMULATION IN THE UNITED STATES.

ALTHOUGH THE PARIS MEETING FAILED TO PRODUCE AGREEMENT AMONG ANY OF THE INDUSTRIALIZED NATIONS ON THE OECD'S NEW GROWTH STRATEGY, MANY ECONOMIC OBSERVERS BELIEVE THAT THERE IS STILL ROOM FOR AGREEMENT AT THE ECONOMIC SUMMIT IN BONN ON SOME ECONOMIC STIMULATORY MEASURES THIS YEAR. WEST GERMANY AND JAPAN, FOR EXAMPLE, REMAIN UNDER HEAVY PRESSURES FROM ABROAD TO SUPPORT COORDINATED ECONOMIC STIMULUS TO REDUCE THEIR TRADE SURPLUSES. BUT THERE IS REASON TO BELIEVE THAT IF THEY CAN BE PERSUADED TO STIMULATE THEIR ECONOMIES MORE, SUCH ACTIONS WOULD HAVE TO BE LINKED TO AN AGREEMENT AMONG OTHER COUNTRIES TO PROMOTE FREER TRADE AND MORE STABLE CURRENCY EXCHANGE MARKETS.

JS/PY